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The Goodyear Tire & Rubber Company (GT) CEO Rich Kramer on Q1 2022 Results - Earnings Call Transcript

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EPS of $0.37 beats by $0.16 | Revenue of $4.91B (39.79% Y/Y) beats by $211.83M

The Goodyear Tire & Rubber Company (NASDAQ:GT) Q1 2022 Earnings Conference Call May 6, 2022 9:00 AM ET

Company Participants

Christian Gadzinski - Head of IR

Rich Kramer - CEO

Darren Wells - CFO

Operator

Good morning. My name is Ashley, and I will be your conference operator today. At this time, I would like to welcome everyone to the Goodyear First Quarter 2022 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions].

I will now hand the program over to Christian Gadzinski, Senior Director, Investor Relations. Please go ahead.

Christian Gadzinski

Thank you, Ashley. And thank you, everyone, for joining us for Goodyear's first quarter 2022 earnings call. I'm joined here today by Rich Kramer, Chairman and Chief Executive Officer; Darren Wells, Executive Vice President and Chief Financial Officer; and Christina Zamarro, Vice President, Finance and Treasurer. .

The supporting slide presentation for today's call can be found on our website at investor.goodyear.com. And a replay of this call will be available later today. Replay instructions were included in our earnings release issued earlier this morning.

If I could now draw your attention to the safe harbor statement on Slide 2. I would like to remind participants on today's call that our presentation includes some forward-looking statements about Goodyear's future performance. Actual results could differ materially from those suggested by our comments today. The most significant factors that could affect future results are outlined in Goodyear's filings with the SEC and in our earnings release. The company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Our financial results are presented on a GAAP basis and, in some cases, a non-GAAP basis. The non-GAAP financial measures discussed in the call are reconciled to the U.S. GAAP equivalent

Great. Thank you, Christian, and good morning, everyone. I'm pleased to be with you today as we cover our results for the first quarter, which underscore the continued momentum of our business amidst the challenges our world is facing.

Before jumping into the business performance, I'd like to take a few moments to recognize the current events that are impacting our customers, associates and communities around the globe. The latest wave of COVID lockdowns in China is a reminder that the pandemic is very much still with us. Our hearts and minds are with our associates and others dealing with the related impacts of the virus there and elsewhere.

At the same time, we shared concern for those impacted by the war in Ukraine. It's heartening to see our Goodyear associates around the world responding to humanitarian aid efforts, including associates in countries neighboring Ukraine who have offered housing, meals, medical attention and legal services to those in need. Our response to this volatile situation embodies the Goodyear culture and the Goodyear spirit. We thank all of our associates for their selfless efforts and we hope for the health and safety of everyone affected.

Moving on to our business results. I'm very pleased with our sales and earnings performance in the quarter. The results are a testament to the strength of our value proposition and solid execution by our teams. While the world continues to experience new levels of uncertainty, we remain focused on delivering our strategy.

During the quarter, we continued to grow consumer market share globally and delivered price mix in a market that grew 4%. And while industry recovery from the pandemic hasn't been predictable, we have the technology, the brand and the aligned distribution to win with customers and consumers in the market.

We're also benefiting from our robust product line-up and our ability to have the right tire, at the right place at the right time, thanks to the tireless efforts of our sales and supply chain teams. Their contributions may never have been more important.

It's clear from our results that we continue to execute strategies to offset inflation with our teams driving a 17% increase in our revenue per tire during the quarter. Our data analytics enable us to evaluate day-to-day movement in end market pricing for ourselves and our competitors, giving us a clear picture of where we are relative to the market and maximizing our ability to capture value for our business.

As I turn to discuss the results in our segments. I'll note that in the Americas business unit, we more than covered raw material and other cost inflation in the quarter. This dynamic in our home market, where we are the leading player, is a competitive advantage as we navigate this inflationary environment. Business in the U.S. market and in key markets throughout the Americas remained robust. Americas revenue in the quarter was up over 60% year-on-year.

While Cooper was a key driver, organic sales grew more than 20%. This increase reflects the strength of our value proposition and an expanding replacement market, which is now above pre-pandemic levels. And with the addition of Cooper, we expanded our operating profit margin in the Americas by a full point compared to the same period last year. In early April, TireHub, our national distributor, began to stock Cooper products, which means that these tires are now available for sale through Goodyear's extensive network of company-owned auto service centers throughout the United States. This expands our portfolio of product offerings greatly just as we intended.

Similarly, we have begun to tap the national reach of our in-house commercial tire and service centers to better meet the needs of existing fleet customers and access new ones with the Cooper commercial truck tire line-up. These moves give our distribution points an enriched product line-up that not only meets the needs of our premium buyers, but also those looking for additional offerings in the mid-tier and economy segments. At the same time, we're also bringing new products to market that highlight our capabilities to increase tire sustainability and take advantage of emerging EV trends.

With the fuel efficient Fuel Max RSA and the electric drive ready Endurance RSA ultralight truck

We're also adding to our consumer portfolio in the U.S., and we've expanded our line-up of the Eagle Exhilarate, our premium ultra-high performance all-season product which features exceptional handling traction and enhanced braking for vehicles like the BMW 5 Series and the Mercedes E-Class.

In EMEA, the consumer replacement industry returned to pre-pandemic volumes during the quarter. We outperformed, thanks to our actions over the last two years, to strengthen distribution and continued success with our industry-leading product offerings.

Our consumer replacement volume grew nearly 25% in the quarter, driven by the EU, where we gained share across multiple brands for summer, all season and winter applications. This impressive performance translated to a full point share gain over the last year, continuing a trend we saw throughout 2021. While there's a lot of disruption in the Europe market right now, this performance reflects a combination of factors, including first rate execution by our manufacturing and supply chain teams to avoid supply disruptions, a consistent focus on delivering improvements in our distribution and leveraging our Western European footprint.

We also recently added to our long list of credentials claiming multiple new product awards. During the quarter, several influential European auto magazines awarded the new Goodyear Eagle F1 Asymmetric and the EfficientGrip 2 SUV exemplary ratings. This recognition not only acknowledges our product and innovation leadership, but also our commitment to sustainability.

The leading German trade publication Auto Bild recognized our product excellence and future oriented sustainability when it named Goodyear Summer Tire Manufacturer of the Year. We're very proud of this recognition.

Our EMEA commercial business also continues its trend of outstanding performance. Our proactive solutions business, a full suite of database solutions featuring advanced telematics and predictive analytics, is another way we're adding value for our fleet customers. These solutions, along with our industry leading products, helped contribute to continued commercial replacement

Despite these challenges, our Asia-Pacific consumer replacement volume was a record, driven by the addition of Cooper Tire and growth in our legacy Goodyear business. During the quarter, we added three new territories under our direct-to-retail distribution initiative, which we've discussed previously. And at the same time, we continue to add new points of distribution.

Our consumer OE business also saw a significant improvement in volume, although industry demand remains below 2019 levels. In the quarter, we won a record number of fitment nominations to secure future business, many in the fast growing EV segment.

While our own volume trends have been positive in Asia-Pacific, we have work to do to improve our margin. Asia Pacific generally sees the impact of higher raw material costs faster than our mature businesses, given lower inventories and proximity to material supply.

Our near-term profitability in Asia-Pacific is to a great degree, dependent on the level of COVID-related disruptions in China. In the meantime, as you would expect, we're working to address cost increases with our OE customers and adjusting pricing for replacement products.

We continue to believe in the long-term earnings power of Asia-Pacific, now stronger with the addition of Cooper Tire. Our strong OE portfolio positions us for future pull-through and growth in replacement.

We also continue to shape our business for tomorrow, our technical teams continue to cultivate partnerships to grow our technology and capabilities for new mobility. In April, we announced a multiyear program supported by the U.S. Department of Defense, the Air Force Research Lab and BioMADE to develop a domestic source of natural rubber for a specific type of dandelion. The partnership supports our continued work around sustainable tire materials.

Another example of the progress we're making on tire sustainability comes from our commercial business, where we released our first city transit tire made with a sustainable soybean oil compound. This enables Goodyear as well as our fleet customers to achieve common sustainability goals

Taken together, our business is performing at a high level amidst a world that is changing rapidly and more often than not, unpredictably. In that environment, we are executing on both short and long-term opportunities across our markets. As challenges arise, we leverage the strength of and compete on our technology and service offerings to win with customers and consumers.

The result is stronger earnings despite much higher costs. We remain focused on delivering consistently today, while at the same time, laying the foundation for greater success in the future.

Now with that, I'll turn the call over to Darren.

Darren Wells

Thanks, Rich. Our first quarter results continue to reflect a number of favorable performance trends, building on our strong 2021 results. We continue to see strong top-line growth, strong growth in revenue per tire and significant benefits from the Cooper Tire combination. And we continue to increase earnings despite the challenging cost environment, the conflict in Ukraine and continued disruptions from COVID.

The combination from Cooper was completed in the second quarter last year. So Q1 volumes are hard to compare directly to historical results. Excluding the addition of Cooper, volumes for the quarter remained 4% or 5% below pre-pandemic loans with disrupted OEM industry production being a major driver. This remaining volume recovery remains an opportunity going forward.

Notwithstanding, we continued lower volume and pressure from rising costs, Q1 operating income for the legacy Goodyear business is more than 20% above pre-pandemic 2019 levels and including Cooper operating income is up nearly 60% over the same timeframe. These results demonstrate the improved earnings power that's resulted from actions taken during the pandemic, including restructurings in our manufacturing footprint and actions taken to improve distribution, including in Europe.

Turning to the income statement on Slide 9. First quarter sales totaled $4.9 billion, including about

First quarter segment operating income was $303 million, including an estimated $69 million from Cooper, net of merger-related costs totaling $8 million. Excluding these costs, merger adjusted segment operating income was $311 million.

After adjusting for significant items detailed in our press release, our earnings per share were $0.37.

The step chart on Slide 10 summarizes the change in segment operating income versus last year. The benefit of higher volume compared to the same quarter last year was $31 million. This reflects the benefit of unit sales growth in Goodyear's legacy business as well as the effect of increased production. At the same time, we realized substantial price/mix benefits in the quarter totaling $510 million, our highest quarterly price mix improvement in 10 years and nearly $100 million higher than a strong Q4.

Revenue per tire increased year-over-year by 17%, excluding foreign currency. Revenue per tire in the Americas was more than 20% above prior year. The combined impact of higher price and improved mix was enough to offset not only the effects of higher raw material costs but also calculated inflation and most of what we've been calling efficiency, excess inflation and other cost increases.

I'll come back to our ongoing efforts to manage these cost pressures in a few moments when I cover the forward outlook.

The last three points on Slide 10. As we typically see during the times of U.S. dollar strength, we saw a negative impact on earnings from currency translation. The positive other of $8 million reflects a combination of factors. Although the improvement over last year is driven primarily by earnings growth in our other tire-related businesses, including aviation.

And finally, the impact of Cooper results on our business is shown in two bars. The green bar on the left reflects operating income related to the Cooper business, which totaled $77 million, a solid result for Q1. The red bar on the right captures merger-related costs, essentially the amortization

The following slide shows our cash flow metrics for the quarter and for the trailing 12 months. Cash flow from operating activities is seasonally negative in the first quarter as activity ramps up following the holiday shutdown period. Cash used this year increased versus a year ago as we continued rebuilding working capital to our normal levels and saw it further impacted by rising raw material costs. This is the working capital increase we were expecting.

Over the last 12 months, free cash flow has been a use of just over $400 million, reflecting this working capital rebuild. Given the discussions we've had with investors regarding free cash flow since our Q4 call, I wanted to take a moment to put this near-term dynamic in perspective.

Slide 13 shows the last 12 years of cash flow generating capability we've demonstrated. To get at this, we made one adjustment to the GAAP cash flow from operating activities measure. Backing out the cash contributed to fund pension plans as we used a lot of cash over this period to eliminate this debt-like liability. This pre-pension cash flow less CapEx, a metric we believe is a good measure of our structural cash flow, has been positive every year over this timeframe and was significantly positive during 2019 and 2020. If we exclude restructuring payments, it would be even more positive.

As you can see at the memo -- the memo line at the bottom, the years when we're rebuilding working capital following downturns are the years that tend to be the lowest. This occurred coming out of the last big downturn in 2011, and it's happening again between 2021 and 2022. But you can see here that after the rebuild of working capital in 2011, we generated substantial cash flow over the following five years, even with elevated CapEx levels.

Turning to our segment results, starting on Slide 14. Unit volume in the Americas increased 44% to 22.2 million units, driven by the addition of Cooper Tire. Americas segment operating income totaled $216 million or 7.4% of sales. Americas earnings benefited not only from the addition of Cooper but also strong price/mix. Price and mix covered raw material costs as well as other cost increases experienced in the quarter.

EMEA segment operating income of $59 million was down from $74 million a year ago. While operating income was down $15 million, $10 million of this decline was explained by foreign currency given the stronger U.S. dollar. Top-line growth reflected the growth in replacement volume, which more than offset a decline in OE sales as well as higher pricing. Price/mix more than offset raw material costs and offset much of the non-raw material cost inflation. A year ago, I made comments that EMEA was not yet at the point of sustaining the earnings rate that we saw then. This year, we're confident in EMEA's run rate heading into Q2.

Asia-Pacific results on Slide 16 show an increase of 1.5 million units, including $500,000 in replacement and close to 1 million units in OE. While Cooper drove much of this increase, volume in our legacy Goodyear business increased nearly 6% versus prior year.

While we continue to grow and expand distribution in Asia, laying the groundwork for future growth, the near-term earnings environment remains challenging. Our segment operating income of $28 million declined by $10 million versus the same quarter last year on higher raw materials and other costs despite volume growth in spite the addition of Cooper. This largely reflects a lack of pricing to offset raw material costs, particularly in the OE business. We see no evidence this is unique to Goodyear, but it appears to be an industry-wide issue.

Turning to our outlook on Slide 17. The impact we expect from raw material costs for Q2 remains in line with the first half year from our Q4 call. And we, again, expect to more than offset these cost increases with price/mix. We also expect to benefit in Q2 from continued recovery of volume in the EMEA replacement business.

The year-on-year effect of other inflationary cost pressures is expected to persist, driven by energy, transportation and labor costs. We see these cost pressures peaking in Q2 and Q3 and moderating in Q4 as we anniversary higher costs that began late in '21.

To pay disruptions for lockdowns in China resulted in a negative impact of $10 million. While our factories are currently running, it's hard to predict what added impact we might see going forward.

With the exception of adding second half raw material cost outlook, other financial assumptions on Slide 18 are unchanged from our last update. At today's spot rates, the increase in raw material costs during the second half would be similar to the first half. It's difficult to tell what the near-term direction of raw materials may be, given disruptions we're seeing in key markets, including potential reduced demand in China.

Whether we see raw material cost trends reverse or not, we're continuing to focus on further actions to address cost pressures that we're facing. These actions include the continued focus on executing the integration of Cooper and Goodyear as any cost savings now appear they're more valuable.

We're also continuing to leverage our shared service centers to consolidate back-office functions and drive increased process consistency and efficiency. And we're continuing to use our plant optimization program to improve factory performance and increase output.

We also remain focused on capital investments that deliver increased efficiency and earnings growth and are making progress on several projects included in our capital expenditure outlook. Earlier this quarter, we announced a plan to modernize our consumer tire manufacturing plant in Amiens, France. This project will strengthen the competitiveness of the plant through significant equipment upgrades, to increase its mix of large rim diameter consumer tires, including those for electric and hybrid vehicles. The plan includes an investment of about $160 million over five years, less about $50 million in government grants and is largely financed through a subsidized low interest loan of about $100 million.

At the same time, we're in the planning stages for two significant expansions in low-cost locations within our existing footprint and modernizations at two of our Americas factories. The projects are larger in scale than the historical examples I shared during the recent industry conference, which we've included in the appendix of today's slides, but the economics are similar. As we complete our planning process, we'll share additional details.

Rich Kramer

Good morning, Emmanuel.

Emmanuel Rosner

Hi, good morning. Thank you very much for all the color. So I appreciate the comments about the outlook and some of the clarity around what you're seeing on the cost pressure side. Can you talk about the efforts you're making in offsetting some of these higher costs, the pricing environment, in particular?

And I was specific curious just based on the recent history, it seems like a lot of your direct competitors have passed -- price increases in maybe early April. Just wanted to know if you can comment on what has been Goodyear's strategy at the same time.

Darren Wells

So Emmanuel, let me start on this one. And I think the -- obviously, the work that we're doing to offset the impact of not only raw material costs but other cost pressures is front and center for delivering near-term results. And I think the -- a lot of the dialogue here has been around North America. So I'm going to start there.

And first off, I think we have to acknowledge that the Americas more than covered raw material cost and inflation with price/mix during the quarter. And obviously, most of that price/mix is coming from the replacement business, given there is a lag before we catch up on raw material costs in our OE contracts. So a lot of work there to cover those raw materials.

Now I'm going to give a little bit of background to make sure that we're on the same fact set here. But I think that we've got to acknowledge that we've got major competitors who have announced two or three price increases during calendar year '22. And Goodyear -- North America has announced one increase of up to 12% on January 1.

So those are the announcements that we've seen. So I guess I sum all that up by saying that hard to differentiate based on just the announced pricing, but there is an appearance that our competitors have -- and they, in fact, have made a larger number of announcements this year, although they're in smaller amounts.

Now we believe our average real market prices have increased significantly more than our major competitors, irrespective of the announced price increases. So our increase in the replacement tire prices more than offset our costs, which is our objective. But our market analytics indicate that since the beginning of 2021, the average selling price of Goodyear product in the market has increased over 16% compared to a competitive range of 9% to 12% in North America.

So -- and if we look at what's going on, we would say we're getting that yield. And that's what we're getting to the -- that's allowed us to more than offset cost increases. And it has put us out in front of competition in terms of actual prices being put through in the market. And that has shown up as we might expect. I mean that showed up with some volume pressure in both sell-in and sellout in recent months.

Now with the recent announcements that have been made, I think we feel like our competitors are catching up. But having said that, we're continuing to be focused on addressing the cost increases we see going forward. Our team got out ahead of it early on, which has allowed us to more than offset cost increases. And it set us up well for the fact that we continue to see cost increases coming.

Emmanuel Rosner

Okay. That's great for the -- on the recent actions. And can I ask you about your confidence level around the ability to offset some of these cost increases as they continue into the back half of the year? So obviously, I think your first half raw material outlook is largely unchanged. But obviously, now you expect a similar one in the second half. Where do you stand based on prices already announced? How much more would need to be done to be able to offset raw materials and

As we look to Q2, we pretty much see price/mix versus raws similar to Q1. And I think, again, I'll repeat what Darren said. We went out early, we went out often and the prices are sticking out there. And in this environment, we believe that's the right thing to do.

So as we look ahead, as we look to second half, we're certainly confident in the plans and actions that we've taken to date and our ability to get after that cost increase. But I will tell you -- excuse me, I got a bit of a cold here. But I can tell you that we do see some higher costs coming in the back half of the year. We also are positive to see that continued market pricing actions in recent months that Darren referred to.

So we know we have some work to do in the second half of the year. Again, particularly as we think about OE coming back or some of those contractual contracts or the contracts we have with fleets where we have a bit of a lag before we cover that increased raw material cost.

So again, we know we have some work to do in the back half of the year. But having said that, and I'll say, similar to what I said in Q4, we have a long, and I would say, with Q1, a recent track record of offsetting raw materials with price/mix and other costs. And that's how we're going to approach it. And I think the key is knowing it's there, anticipating that it's coming and make sure we put the plans in place to execute to be able to address it.

Emmanuel Rosner

Understood. Thank you.

Operator

And we'll take our next question from Ryan Brinkman with JPMorgan. Please go ahead. Your line is open.

Ryan Brinkman

Great. Thanks for taking my questions. Just another one on raw materials, of course, relative to

And then how much incremental pricing might be required? I know you not necessarily aiming to [fully] (ph) but to offset that. And if you were to sort of look at the prices that you have currently or expect to have in place based on announcements that are pending and the stick rate, et cetera. And when you compare that to the prices that you had in the back half of last year, how are you just thinking about that magnitude of price/mix tailwind in the back half compared to the communicated raw materials headwind magnitude? .

Darren Wells

Yeah. So I guess -- let me take it in this order, Ryan. The changes that we've seen since our last earnings announcement in early February, it have been principally in a couple of areas. I think -- and it's generally oil-based commodities that have increased in price because in fact, natural rubber right now is a little bit lower than it was back then.

The -- so -- but we've seen the oil-based commodities. So carbon black. And I was going to say that the category that we refer to as chemicals, pigments and oils, all of which are from the petrochemical space. I mean, those have generally ticked up since the outlook that we were looking at for the second half based on spot prices back in February.

I don't think we ever quantified that. But I think we're probably looking at an environment that for the second half, it's a couple of hundred million worse on feedstocks. So on commodity prices that it would have been back then. But we've also had increased cost pressure coming from the cost that our suppliers are incurring. Yeah, so we're getting -- and some increased costs from transportation.

So our overall view is probably up even a little bit more than just the feedstock outlook when we're arriving at that $800 million. And that $800 million really captures everything. I mean it captures transportation cost, it captures the additional costs that our suppliers are incurring, including their energy and utility costs, which is a big factor in some parts of the world as well as all of the feedstock costs. So we'll wrap that all up and say that's what's driving the $800 million. It has

So there's additional -- because we're going to anniversary some pricing actions that we took last year, we're going to have to go further to offset those costs.

Ryan Brinkman

Okay. Great. And then I just wanted to lastly kind of check in on China following these COVID lockdown measures. It's easy to see from a number of public data sources and some of the forecast that we subscribe to that the lockdowns have had a sizable impact already on new vehicle manufacturing so far in 2Q. The impact on the aftermarket industry is harder for us to follow on the outside. So it'd be great to know what you're seeing there. I would imagine the aftermarket impact is quite a bit less, but I'm not sure.

And then also if you could just sort of -- if there is a disparity impact, maybe just remind us, I think the rule of thumb is your kind of 80% replacement and 20% OE, although in China, that mix is different. So it would be great to get an update there.

Darren Wells

Yeah. I mean, our mix of business in China is more like 50-50 because -- which is reflective of the market there. I mean, just a lot more weighted toward OE. And that's one of the things that we see as upside going forward as China ultimately is going to move toward a market that's got more like the 80-20 mix of the rest of the world. And I think that's one of the reasons we work so hard on our position in China as we've seen that upside in terms of our opportunity to grow earnings in the replacement market going forward.

I agree with the observation that you made that there has been less impact on replacement volume in China than there has been OE volume. And in fact, our replacement volume in China has been okay. We did -- as you saw in the outlook slide for the second quarter, we have seen some disruption in our factories. And that's effectively the impact that we're seeing based on what's happened so far.

Rich Kramer

And Ryan, I would add that we have a very, very constructive relationship, particularly in Dalian and Pulandian where our factory is. And we opened very early coordinating with the local officials to give our people the authorizations to get back to work. So I think that those -- the COVID lockdowns are obviously something we're all watching, but I am pleased that we at least have the ability to keep the plant running there as the country needs it to, albeit at a lower level.

Ryan Brinkman

Very helpful. Thank you.

Operator

[Operator Instructions] And we'll go next to John Healy with Northcoast Research. Please go ahead. Your line is open.

John Healy

Hi. Thank you. I wanted to kind of talk a little bit more about pricing potential, but maybe a different kind of way to look at it. I kind of find it interesting that the U.S. market seems to be the market that is kind of covering almost the global increase in commodity costs. So with that said, does that tell you that maybe there's a bigger opportunity to recover profits here over the next two years as those international markets kind of find their footing?

And is there a potential for Europe and Asia to be later part of this year and '23 part of a pricing recovery story for you guys? Just trying to understand why those markets maybe haven't seen the same pricing throughput. And if you're thinking about this as a global business, why wouldn't that happen at some point in the future?

Darren Wells

We do have -- Europe I would say that there has still been some pretty good progress. And I think we feel good about the fact that the European market is recovering. I think a number of the programs we put in place in Europe make us feel much better about where our business is in Europe right now. And we do have raw material index agreements in place there with our OE customers. So I think the outlook for the benefit of pricing in Europe and being able to catch up on those costs, I think we're feeling reasonably good about although not as far along as we were in -- as we are in the Americas.

Asia, I think is -- it is the toughest market. And I think that's why in our prepared remarks, we sort of acknowledged that this is a market that is a, it's heavily reliant on OE, particularly in China. And b, the OE contracts that we have there, which are increasingly not with -- increasingly weighted toward Chinese and Asian OEs do not yet have raw material index agreements embedded in them.

That's something that I think we will see more of as the market matures, but we don't have those automatic mechanisms yet. And it's obviously some real challenging macro elements over there right now. So it's not the best environment to be trying to negotiate those changes.

So I think we're -- while we feel good about that business long term, I think it is a much more difficult environment to try to keep up with cost pressure. And I mean there's been some element of that historically, but we're really feeling it right now.

John Healy

Great. That's very helpful. And it sounded like you guys are forging ahead and pushing forward with the Cooper integration. But would just love to get some thoughts about maybe the integration from a sales standpoint. I think you mentioned TireHub, the product is now kind of running through there. But what sort of integration have you seen in the field? And is this allowing for broadly share of wallet at your retail partners, do you think that it's growing your share position there?

Yeah, I would say the answer is yes. And maybe if I zoom out for a moment, the one thing I would say is we're very pleased with how the whole Cooper integration, the whole Cooper transaction is playing out for us. You see it in our Q1 results. You see it in their performance. Their business is really on a trend that's above pre-pandemic levels. We see it in our integration. We see it with the delivery of the synergies and the plans we have. We see it with integrating our teams of people mixing Goodyear in Cooper Associates in different roles. And certainly, we see it in the product line that's out there.

And as you say, we started the process now of distributing Cooper through TireHub and getting it out to our different retail points. And I would tell you that that's in line and pretty much in line and in plan with where we wanted to be right now. This is taking a product line that serves a different market with certain different products. And we're being very thoughtful how we roll that out in the market. And I would say where we are right now is pretty much we intended to be.

More work to be done, and we're also very conscious of making sure that we keep our products in the channels that they need to be in as we continue on with the integration.

So a long way to say, I think more to come as we think about how our product screen changes over time. But where we are now, I'm very confident to tell you is exactly how we planned it. So I'm very, very pleased with the way it's going.

John Healy

Great. Good to hear. Thank you.

Operator

And this will conclude today's Q&A session as well as the Goodyear First Quarter 2022 Earnings Call. Thank you for your participation. You may now disconnect.

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Wow great opportunity to make an easy 20% profit.
I like the smart tire will do great in future as tires will be more high tec than we can imagine. Support your local tire company and have a GOOD year!

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